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SPECIAL PROGRAMMES OF ASSISTANCE

LEAST DEVELOPED COUNTRIES

Special Measures Fund for the Least Developed Countries and the role of the United Nations Development Programme in the follow-up and implementation of the Programme of Action for the Least Developed Countries for the 1990s

Report of the Administrator

SUMMARY

The purpose of the present report is twofold: it discusses the Special Measures Fund for the Least Developed Countries (SMF/LDC) in the context of redefining its mandate and reviews the action initiated by the United Nations Development Programme with respect to the follow-up and implementation of the Programme of Action for the Least Developed Countries for the 1990s.

The question of strengthening the capacity of LDCs to coordinate their external assistance is covered separately in the evaluation report made available to the Governing Council.

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I. INTRODUCTION

1. Over the past years, the difficult situation of the least developed countries (LDCs) and measures in response, including the Special Measures Fund for the Least Developed Countries (SMF/LDC), have been the subject of considerable review and debate. At its thirty-seventh session, the Governing Council, in the context of the then upcoming Second United Nations Conference on the Least Developed Countries, requested the Administrator to prepare proposals to organize the activities of the United Nations Development Programme (UNDP) for LDCs over the coming decade. The present report of the Administrator is in response to the operative paragraphs of Governing Council decision 90/51 of 22 June 1990 with specific reference to the issues of aid coordination in LDCs (para. 6), the SMF/LDC (para. 7), and the role of UNDP in the follow-up and implementation of the Programme of Action for the Least Developed Countries for the 1990s (para. 9).

II. AID COORDINATION IN LEAST DEVELOPED COUNTRIES

2. In paragraph 6 of decision 90/51, the Governing Council requested an evaluation of the contribution of UNDP to strengthening the capacity of LDCs to coordinate their external assistance. Missions were fielded in December 1990 and January 1991 to carry out this evaluation. The terms of reference of the missions emphasized the need for a forward-looking evaluation and focused on a review of the relevance and adequacy of technical cooperation carried out through the various UNDP initiatives in supporting aid coordination activities. The mission undertook field visits to Nepal and Western Samoa in Asia; Cape Verde, Ethiopia, the Niger, Togo, Uganda and the United Republic of Tanzania in Africa; and Yemen in the Arab region. As part of its findings and recommendations, the evaluation highlighted the need for UNDP to develop a "mission statement" to cover its role in the LDCs, and to prepare with each LDC a country strategy for capacity-building in managing development resources. The evaluation report has been made available to the Governing Council.

III. SPECIAL MEASURES FUND FOR THE LEAST DEVELOPED COUNTRIES

3. In paragraph 7 of decision 90/51, the Governing Council requested the Administrator to redefine the original mandate of the SMF/LDC in an effort to bring it in line with the thinking and expectations expressed by LDCs and the donor community during the Second United Nations Conference on the Least Developed Countries . The need for focusing the mandate of SMF/LDC is particularly pertinent in light of the decision by the Council on 23 June 1990 (decision 90/34, para. 18) to allocate 55 per cent of UNDP indicative planning figure (IPF) resources over the fifth cycle to LDCs, which number 45 countries (including three countries accepted on an "as if" basis).

4. At present, all SMF/LDC resources placed at the disposal of the regional bureaux have been either fully committed or are about to be earmarked for projects/activities in the pipeline. Resources pledged for 1991 were almost nil. In the circumstances, the concerned viability of the SMF/LDC is regrettably in doubt. The proposals presented below on the new identity of the SMF/LDC are therefore contingent upon the replenishment of the Fund by donors. In the absence of further pledges, it will not be possible for the SMF/LDC to play the role called for in the Programme of Action for the Least Developed Countries for the 1990s.

5. It may be recalled that at the First United Nations Conference on the Least Developed Countries in 1981, the SMF/LDC was identified as having a special role to play in the implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries. 1/ As such, this Fund was built into the Substantial New Programme of Action to provide the extra resources needed by Governments of LDCs for more intensive planning efforts, feasibility studies and project preparation. For detailed background information on the SMF/LDC since its inception in 1972, attention is drawn to the extensive review already submitted to the Governing Council in document DP/1990/6 of 27 December 1989.

6. Throughout the various preparatory meetings prior to the Second United Nations Conference on the Least Developed Countries as well as during the debate at the Conference itself, the specific role of the SMF/LDC was again underlined as an essential part of the international support measures needed to meet the particular needs of the LDCs. A streamlined SMF/LDC playing a specific role directly related to the particular needs of LDCs also reflects the views expressed by the members of the Governing Council.

7. The Programme of Action for the Least Developed Countries for the 1990s points to the need to improve the capacity of Governments of LDCs for aid coordination and economic management. The lack of such management capacity, a deficiency inherent in many LDCs, adversely affects all efforts to accelerate socio-economic development. Technical cooperation can be a key element in providing the appropriate policy guidance and support for the institution-building efforts of LDCs. This, in turn, should help the Governments of LDCs to formulate sound policies and programmes conforming with the fundamental socio-economic needs of their countries.

8. The Programme of Action for the Least Developed Countries for the 1990s 2/ cites the SMF/LDC as a Fund of special interest to these countries and refers, in paragraph 135, to it as a funding mechanism with a specific role to play in strengthening the capacity of Governments with regard to economic management and aid coordination. It may be noted that this sector of activity is, in fact, the only one specifically mentioned by the Programme of Action as an area of special relevance for the SMF/LDC. Further, the evaluation referred to in section II also reiterates the essential need for strengthening the aid coordination and economic management capacity of LDCs.

9. Against this background, it is proposed that the SMF/LDC concentrate on strengthening capacities related to socio-economic policy analysis and management. Within this conceptual framework, the Fund could play a useful, catalytic role in promoting activities such as the preparation of human development strategies and the strengthening of aid coordination structures. For purposes of meeting such objectives, existing management guidelines for the utilization of this Fund's resources would have to be modified to reflect the proposed area(s) of concentration.

IV. ROLE OF UNDP IN THE FOLLOW-UP AND IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s

10. The UNDP response to the conclusions of the Second United Nations Conference on the Least Developed Countries, as embodied in its Programme of Action, will take place in the context of the Governing Council's decision to allocate 55 per cent of IPF resources to LDCs over the fifth cycle, and paragraph 7 of decision 90/34, which requires UNDP to promote human development through the building of national capacities in six priority areas. Although the development challenges confronting LDCs are formidable, there are wide regional variations in the nature of the problems they face. LDCs in Africa, constrained by professional and skilled manpower shortages, now attach high priority to sound economic management. In Asia and the Pacific, improving aid absorptive capacity and addressing the priority area of the Programme of Action through the national planning process are major concerns. UNDP's strategic response to the Programme of Action will specifically address the two elements discussed below in subsections A and B.

11. Funding sources for UNDP's follow-up action will come from several sources: IPF resources, Special Programme Resources (SPR) (subject to the Council's endorsement of the Administrator's proposal on the use of SPR) and the SMF/LDC (subject to further replenishment). In relation to the use of IPF resources, UNDP resident representatives based in LDCs have been requested to bring the conclusions and priorities as stated in the Programme of Action to the attention of Governments in the course of their discussions on the preparation of the fifth cycle country programmes. To this end, IPF resources could be used directly to support the objectives of the Programme of Action.

12. Consistent with the recommendation of the Programme of Action that contributions to the United Nations Capital Development Fund (UNCDF) grow by 20 per cent, the Administrator proposes a funding scenario for UNCDF of 20 per cent annual growth. Further details are contained in the report of the Administrator to the Governing Council on UNCDF (DP/1991/43).

A. Aid coordination

13. The Second United Nations Conference on the Least Developed Countries reviewed in some detail the arrangements, at different levels, of the country review mechanism which it felt should continue as the principal means of policy dialogue and of coordinating the aid efforts of development partners

with the development programmes of the LDCs, as well as mobilizing the required resources for their implementation. At the national level, UNDP round tables and World Bank consultative groups will continue to constitute the backbone of the process to translate the principles and commitments of the Programme of Action for the Least Developed Countries for the 1990s into concrete measures. The Conference emphasized the need to organize country reviews, namely, round tables and Consultative Group meetings, on a more systematic basis. It encouraged those LDCs that have not yet organized a country review group to do so. The Conference indicated that these country review meetings should be convened on a regular basis, every one to two years, to build and maintain a sustained momentum for development progress and improved aid coordination of LDCs. In responding to this and drawing on the momentum generated by the Second United Nations Conference on the Least Developed Countries, UNDP has undertaken a series of steps as part of an organized programme to improve and make more systematic UNDP management of the round-table process:

(a) UNDP is promoting the establishment of clearly defined schedules for convening round-table meetings. In this regard, the Administrator has written to all Governments of LDCs participating in the round-table process, calling their attention to the Programme of Action and proposing a calendar for the convening of a round table, possibly in 1991 or early next year. A principal objective is to ensure that the round-table process is a government-led exercise and that, in line with the call made in the Programme of Action, the donor-recipient dialogue be more disciplined and structured;

(b) UNDP has undertaken a critical analysis of the different substantive and organizational issues involved in improving UNDP management of the round-table process;

(c) UNDP's experience in Africa will be the subject of a workshop being held during the second quarter of 1991, in which all UNDP resident representatives and field economists serving in round-table LDCs in Africa will participate, as well as selected staff from UNDP headquarters, including the Bureau for Programme Policy and Evaluation, with the objective of obtaining a broad understanding of the issues involved and a commitment to a specific programme of change.

14. UNDP will continue to assist Governments of LDCs, whether round-table or Consultative Group countries, in preparing national technical cooperation assessment and programmes (NATCAPs). These exercises, currently undertaken in Africa and Latin America, are designed to respond to the concerns of the Programme of Action for incorporating institution-building and human resources development as an integral element of all aid activities, particularly technical cooperation. Furthermore, it also responds to the concern of the Programme that aid flows should be provided in the context of an overall programme tailored to the priority needs of LDCs.

15. In Asia and the Pacific, following a recent evaluation of UNDP's contribution to strengthening the capacity of LDCs, UNDP is giving more emphasis, particularly in the case of small LDCs, to the preparation of two- to three-year strategic plans within the context of longer term perspective plans. The strategic plans specifically refer to priority development programmes and related enabling policies, budget and human resources requirements so that they could serve as the basis for programming of both domestic and external development resources.

B. Policy analysis/Economic management

16. UNDP will assist Governments of LDCs in preparing strategies for human resources development. This reflects the objectives of the Programme of Action for the Least Developed Countries for the 1990s, which encourage LDCs to give priority to preparing strategies for strengthening human capital, with emphasis on the areas of population policies, health services, and education and training. Furthermore, it is recognized that action in these three areas has a direct and positive impact on the status and role of women. UNDP support is also in line with the follow-up proposed at the national level in defining and preparing policies and programmes advocated in the Human Development Report 1990.

17. Some LDCs now have the required professional and management skills to meet the developmental needs. In such cases, UNDP will support programmes and projects that improve the institutional machinery to provide for more effective utilization of human resources capacities and increase aid absorptive capacities.

18. The Programme of Action encourages Governments of LDCs to strengthen their capacity for adequate socio-economic management and emphasizes the need for long-term development strategies as well as effective aid coordination. UNDP will assist LDCs in this particular area; in doing so, the pertinent findings and recommendations of the evaluation of UNDP's contribution to strengthening the capacity of LDCs to coordinate their external assistance will be followed up.

V. CONCLUSION AND RECOMMENDATION

19. As indicated above, the areas of aid coordination, policy analysis and economic management have been highlighted in the Programme of Action for the Least Developed Countries for the 1990s as priority issues requiring attention and support by multilateral agencies like UNDP. To respond to these concerns, a cohesive, strategic response by UNDP is required to meet the multifaceted needs of LDCs. The need for such an approach is supported by the findings of the evaluation of UNDP's contribution to the strengthening of aid coordination efforts of LDCs. The elements outlined in section IV represent a first attempt to develop such a coordinated approach to the needs of LDCs. This rationale is also behind the proposal to redefine and focus the mandate of the SMF/LDC as outlined in section III.

20. In the light of the foregoing, the Administrator is convinced that the SMF/LDC has a crucial role to play in the fifth cycle as a catalytic source of funds to assist LDCs materially in strengthening their own capacities to coordinate and manage their own programmes of external assistance at a time of increasingly acute economic restraint. As indicated in section III, strong donor support is essential to enable LDCs to attain their goal of coherent, coordinated and self-sustainable economic management. UNDP must be able to respond effectively to the Programme of Action. If the present SMF/LDC resource situation, outlined in paragraph 4 above, is allowed to continue, it will limit the opportunity for UNDP to fulfil its role as an accepted neutral and objective partner in development with the LDCs in their most important and sensitive areas of development, namely, coordination and management of economic aid.

21. In conclusion, the overall role of UNDP will be guided by a strategy that recognizes the responsibility to concentrate UNDP resources for support to the particular development needs of LDCs. While the special attention paid to Africa and its needs must continue, the Administrator is aware that both LDCs in other regions and other developing countries whose development characteristics approximate closely those found in LDCs, will continue to require considerable support from UNDP. This strategy, therefore, while recognizing the complementarity between the priority concerns of the Programme of Action and the capacity-building focus of Governing Council decision 90/34, will seek to use all funds under the Administrator to help the LDCs to strengthen their capacity to manage their development process.

Notes

1/ Report of the United Nations Conference on the Least Developed Countries, Paris, 1-14 September 1981 (United Nations publication, Sales No. E.82.I.8), part one, sect. A.

2/ A/CONF.147/Misc.9 and Corr.1 and Add.1.